

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

FEB 1 2018

In the Matter of:

) Docket No. 14A-087-INS
) DEPT OF INSURANCE

AMERICAN ACCESS CASUALTY COMPANY,

BY ms

NAIC # 10730,

) **CONSENT ORDER**

Respondent.

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of American Access Casualty Company ("AACC"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of American Access Casualty Company, the examiners allege that AACC violated Arizona Revised Statutes (A.R.S.) §§ 20-385, 20-461, 20-466.03, 20-2110, and 20-1631, Arizona Administrative Code (A.A.C.) R20-6-801 (G), and Arizona prior Consent Order dated August 14, 2014, Docket No. 14A-087-INS.

American Access Casualty Company wishes to resolve this matter without formal proceedings, admits that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. American Access Casualty Company (AACC) is authorized to transact property and casualty insurance pursuant to a Certificate of Authority issued by the Director.

2. The Director authorized the examiners to conduct a target market conduct examination of American Access Casualty Company. The examination covered the time period from January 1, 2015 through June 30, 2016 and concluded on August 9, 2017. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of American Access Casualty Company" dated June 30, 2016.

1 3. The Director entered a Consent Order In the Matter of American Access
2 Casualty Company, Docket No. 14A-087-INS, AACC which was filed on August 14, 2014
3 (the "2014 Order"). Section 1 of the 2014 Order, in part, stated as follows:

4 1. American Access Casualty company shall:

5 b. accurately apply filed private passenger automobile rates to
6 surcharged policies.

7 e. provide insureds a compliant Summary of Rights in the event of an
8 adverse underwriting decision.

9 h. use claim forms that contain a compliant fraud warning notice.

10 4. Of the files reviewed by the examiners, AACC failed to comply with the 2014
11 Order in 57 instances.

12 5. The examiners reviewed 43 of 8,094 surcharged private passenger
13 automobile policies issued during the time frame of the examination and found that
14 AACC failed to correctly apply filed rates on 10 surcharged policies.

15 6. The examiners reviewed 66 of 12,499 new business and renewal private
16 passenger automobile policies issued during the time frame of the examination and
17 found that AACC, in 14 cases, failed to correctly apply filed rates by failing to obtain
18 documentation to support premium surcharges; rating a policy based on an incorrect
19 gender; using unfiled territory definitions and zip codes, and failing to file a modified
20 renewal discount plan.

21 7. The examiners reviewed 50 of 62 private passenger automobile policies non-
22 renewed for underwriting reasons, during the time frame of the examination and found
23 that AACC failed to provide a Summary of Rights for 18 non-renewals.

24 8. AACC performed an internal audit of private passenger automobile policies
25 non-renewed during the period of April 24, 2015 and February 1, 2017 and found that

1 they failed to provide a Summary of Rights to 454 policyholders.

2 9. The examiners reviewed 50 private passenger automobile policies cancelled
3 for underwriting reasons, during the time frame of the examination and found that AACC
4 non-renewed 6 polices for unacceptable driving record without offering the insured a
5 driver exclusion.

6 10. The examiners reviewed 3 of 3 private passenger automobile policies non-
7 renewed for underwriting reasons, during the time frame of the examination and found
8 that AACC non-renewed one policy for unacceptable driving record without offering the
9 insured a driver exclusion.

10 11. The examiners reviewed 3 of 3 private passenger automobile policies non-
11 renewed for underwriting reasons, during the time frame of the examination and found
12 that AACC non-renewed 2 policies for reasons not permitted by statute.

13 12. The examiners reviewed 50 of 2,285 paid claims settled during the time frame
14 of the examination and found that AACC used claim forms that failed to contain a
15 compliant fraud warning statement in at least 12-point type in 21 cases.

16 13. The examiners reviewed 50 of 318 private passenger automobile paid total
17 loss claims settled during the time frame of the examination and found that AACC failed
18 to provide status letters, provided an insufficient number of letters or provided letters that
19 failed to include a reason for the delay in 7 cases.

20 **CONCLUSIONS OF LAW**

21 1. AACC knowingly failed to comply with a lawful order of the director, within the
22 meaning of A.R.S §20-220(A)(2).

23 2. AACC violated A.R.S. §20-385 (A) by failing to accurately apply filed
24 private passenger automobile rates to surcharged policies.

25 3. AACC violated A.R.S. §20-385 (A) by failing to file and receive approval of

1 underwriting manual rating rules relating to territory definitions and zip codes and a
2 modified renewal discount plan.

3 4. AACC violated A.R.S. §20-2110 (A) by failing to send policyholders a
4 Summary of Rights in the event of an adverse underwriting decision.

5 5. AACC violated A.R.S. §20-1631(F) by failing to offer a driver exclusion prior
6 to non-renewing private passenger automobile policies.

7 6. AACC violated A.R.S. §20-1631 (D)(3)(c)(iii) by non-renewing private
8 passenger auto policies for reasons not permitted by statute.

9 7. AACC violated A.R.S. §20-466.03 (A) by using claim forms that failed to
10 contain a compliant fraud warning notice in 12 point type.

11 8. AACC violated A.R.S. §20-461(A)(8) and A.A.C. R20-6-801(G)(1)(a) and
12 (b) by failing to provide the insured with an adequate status letter advising the insured of
13 the reasons for the claim delay.

14 9. Grounds exist for the entry of the following Order in accordance with A.R.S.
15 §§20-220 and 20-456 and 20-2117.

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17 **ORDER**

18 **IT IS HEREBY ORDERED THAT:**

- 19 1. American Access Casualty Company shall:
- 20 a. accurately apply filed private passenger automobile rates to surcharged
21 policies.
- 22 b. file and accurately apply filed private passenger automobile rates to all
23 new business and renewal policies.
- 24 c. provide insureds a compliant Summary of Rights in the event of an
25 adverse underwriting decision.

1 d. offer insureds a driver exclusion before non-renewing private
2 passenger automobile policies for unacceptable driving records.

3 e. use claim forms that contain a compliant fraud warning notice.

4 f. provide insureds with an adequate status letter advising the insured of
5 the reasons for the claim delay

6 2. AACC shall cease and desist from failing to comply with an Order of the
7 Director.

8 3. Within 90 days of the filed date of this Order, American Access Casualty
9 Company shall submit to the Arizona Department of Insurance, for approval, evidence
10 that AACC implemented corrections and communicated these corrections to the
11 appropriate personnel, regarding the issues outlined in Paragraph 1 of the Order section
12 of this Consent Order. Evidence of corrective action and communication thereof
13 includes, but is not limited to, memos, bulletins, E-mails, correspondence, procedures
14 manuals, print screens, and training materials.

15 4 The Department shall, through authorized representatives, verify that
16 AACC has complied with all provisions of this Order.

17 5. American Access Casualty Company shall pay a civil penalty of
18 \$95,000.00 to the Director for remission to the State Treasurer for deposit in the State
19 General Fund in accordance with A.R.S. §20-220(B). AACC shall submit the civil penalty
20 to the Market Oversight Division of the Department prior to the filing of this Order.

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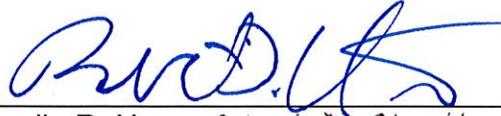
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1 6. The Report of Target Market Examination of American Access Casualty
2 Company of June 30, 2016, including the letter with their objections to the Report of
3 Examination, shall be filed with the Department upon the filing of this Order.

4 DATED at Arizona this 31 day of January, 2018.

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7 Leslie R. Hess Robert D. Charlton
8 Acting Director of Insurance
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CONSENT TO ORDER

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2 1. American Access Casualty Company has reviewed the foregoing Order.

3 2. American Access Casualty Company admits the jurisdiction of the Director
4 of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to
5 the entry of the Conclusions of Law and Order.

6 3. American Access Casualty Company is aware of the right to a hearing, at
7 which it may be represented by counsel, present evidence and cross-examine
8 witnesses. American Access Casualty Company irrevocably waives the right to such
9 notice and hearing and to any court appeals related to this Order.

10 4. American Access Casualty Company states that no promise of any kind or
11 nature whatsoever was made to it to induce it to enter into this Consent Order and that
12 it has entered into this Consent Order voluntarily.

13 5. American Access Casualty Company acknowledges that the acceptance
14 of this Order by the Director of the Arizona Department of Insurance is solely for the
15 purpose of settling this matter and does not preclude any other agency or officer of this
16 state or its subdivisions or any other person from instituting proceedings, whether civil,
17 criminal, or administrative, as may be appropriate now or in the future.

18 6. Sandra Michelle Blum, who holds the office of
19 Secretary of American Access Casualty Company, is authorized
20 to enter into this Order for them and on their behalf.

AMERICAN ACCESS CASUALTY COMPANY

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23
24 1/30/18
Date

By Sandra Michelle Blum

1 COPY of the foregoing mailed/delivered
2 this 1st day of February, 2018, to:

3 Robert D. Charlton
4 Acting Director of Insurance
5 Scott Greenberg
6 Assistant Deputy Director
7 Director's Office

8 Catherine O'Neil
9 Consumer Legal Affairs Officer
10 Director's Office

11 Steven Fromholtz
12 Assistant Director
13 Consumer Affairs Division

14 Kurt Regner
15 Assistant Director
16 Financial Affairs Division

17 David Lee
18 Chief Financial Examiner
19 Financial Affairs Division

20 Erin Klug
21 Assistant Director
22 Market Oversight Division

23 Maria G. Ailor
24 Market Conduct Oversight Manager
25 Market Oversight Division

DEPARTMENT OF INSURANCE
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Sandra Blum, Chief Operations Officer
American Access Casualty Company
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Downers Grove, Illinois 60515

Maidene Scheiner